



## **COMMUNITY DEVELOPMENT COMMISSION**

### **County of Los Angeles**

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**Gloria Molina**  
**Yvonne Brathwaite Burke**  
**Zev Yaroslavsky**  
**Don Knabe**  
**Michael D. Antonovich**  
*Commissioners*

**Carlos Jackson**

*Executive Director*

April 6, 2004

Honorable Board of Commissioners  
Community Development Commission  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**AMEND LOAN AGREEMENT WITH WILLOWBROOK PLACE, L.P., FOR  
APARTMENTS IN UNINCORPORATED WILLOWBROOK (2)  
(3 Vote)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Find that the remediation activities at the Willow Apartments, a 24-unit apartment development for adults with mental disabilities and their families to be located at 12612 South Wilmington Avenue in unincorporated Willowbrook, are exempt from the California Environmental Quality Act (CEQA), as described herein, because the proposed work will not have the potential for causing a significant effect on the environment.
2. Approve Amendment No. 1 to the HOME Loan Agreement, presented in substantially final form, between the Commission and Willowbrook Place, L.P. (the Developer), to increase the original loan by up to \$180,000, from \$320,000 to a maximum of \$500,000 in HOME Investment Partnerships (HOME) Program funds, for additional environmental remediation and permanent financing of the Willow Apartments.
3. Authorize the Executive Director to incorporate a total of up to

\$180,000 in HOME funds into the Commission's Fiscal Year 2003-2004 approved budget, for the purposes described above.

4. Authorize the Executive Director to execute the Amendment and all related documents, for the purposes described above, to be effective following approval as to form by County Counsel and execution by all parties.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

The purpose of this action is to approve Amendment No. 1 to the Loan Agreement, which will increase funding for the completion of necessary environmental remediation and permanent financing of the Willow Apartments.

**FISCAL IMPACT/FINANCING:**

There is no impact on the County general fund. Under the original HOME Loan Agreement, \$320,000 in HOME funds were provided for environmental remediation and permanent financing, as a 30-year, three percent simple interest loan, evidenced by a Promissory Note and secured by a subordinated Deed of Trust. This loan is to be repaid from residual rental receipts generated by operation of the property. The current action will increase this loan by up to \$180,000, from \$320,000 to a maximum of \$500,000 in HOME funds for environmental remediation, converting to permanent financing at completion of construction.

Since the start of the project in 2001, the total development cost has increased by \$770,690, from \$4,172,328 to \$4,943,018, due to unforeseen costs incurred during the environmental remediation phase and increased construction costs. The funding gap is being bridged by the increase in HOME funding from the Commission, and by the Developer, through an increase in the private construction loan and additional tax credits. A Financial Analysis is provided as Attachment A.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

On August 7, 2001, your Board authorized a HOME Loan Agreement between the Commission and the Developer for environmental remediation and permanent financing of the 24-unit Willow Apartments. Once completed, all units will be reserved for qualified mentally disabled adults with incomes equal up to 50 percent of the area median income for the Los Angeles/Long Beach Metropolitan Statistical Area, as defined by the U. S. Department of Housing and Urban Development.

The project is a collaborative effort between the Developer and South Central Health and Rehabilitation Programs (SCHARP). The Developer will be responsible for operating the housing. SCHARP, which is experienced in providing case management and mental health treatment to the population, will employ the staff and

provide the majority of the supportive services, including outreach, basic needs, mental health care, psychosocial and vocational services, advocacy/education, support systems and crisis intervention. The Developer will coordinate with other community-based service providers for the provision of job training, skills development and other services to improve the residents' quality of life.

The site, formerly occupied by a fueling facility, required environmental remediation prior to construction. Remediation activities on the first five feet of soil were completed in July 2003, after which the environmental consultant prepared and submitted to the Office of Environmental Health Hazard Assessment (OEHHA) a Health Risk Assessment, based on Regional Water Quality Control Board (RWQCB) guidelines and methodologies.

The review of the Health Risk Assessment resulted in an interim clearance for the top five feet of soil, allowing the Developer to proceed with the predevelopment of the site, including obtaining funding and filing for permits. Continued vapor extraction at depths of over five feet is now underway in order to comply with RWQCB requirements for residual contaminants. This process has taken longer than originally anticipated, resulting in increased costs for the remediation. Construction will begin once this remediation has been completed and a Final Closure letter is issued by RWQCB, which is expected to occur by July 2004.

**ENVIRONMENTAL DOCUMENTATION:**

The remediation activities are exempt from the provisions of NEPA pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(10) because these activities will not have a significant effect on the environment. Remediation is categorically exempt from the provisions of CEQA pursuant to State CEQA Guidelines 15330 because these activities involve only minor actions intended to prevent, minimize, stabilize, mitigate, or eliminate the release or threat of release of a hazardous waste or substances and will not have a significant effect on the environment.

**IMPACT ON CURRENT PROJECT:**

The Amendment will increase the HOME loan by an amount of up to \$180,000, to complete environmental remediation and fund permanent financing for the project, which will provide special needs housing in the County.

Respectfully submitted,

CARLOS JACKSON  
Executive Director

Attachments: 2

## Attachment A

### HOUSING FINANCIAL ANALYSIS WILLOW APARTMENTS

12612 South Wilmington Avenue, unincorporated Willowbrook

The project consists of 24 units of housing for very low-income individuals and families with an adult member having a mental disability, to be located at 12612 South Wilmington Avenue in unincorporated Willowbrook. The Commission's HOME loan will provide environmental remediation and permanent financing for development of the units under a Loan Agreement with the Developer. All units will be reserved for qualified individuals with incomes equal to or less than 50 percent of the area median income for the Los Angeles/Long Beach Metropolitan Statistical Area (MSA), as defined by the U. S. Department of Housing and Urban Development (HUD).

The following is a financial analysis of the project:

	<b>Original Loan Agreement</b>		<b>Revised Costs</b>	
	Total	Per unit	Total	Per unit
<b>Construction Phase</b>				
Uses				
<b>Total Development Cost</b>	<b>4,172,328</b>	<b>173,847</b>	<b>4,943,018</b>	<b>205,959</b>
Sources				
Conventional Private Loan	1,082,247	45,094	268,328	11,180
Tax Credit Equity	1,008,081	42,003	2,442,690	101,779
Affordable Housing Program (AHP)				
Grant	162,000	6,750	132,000	5,500
Commission HOME Loan	320,000	13,333	500,000	20,833
City of Industry Loan	1,600,000	66,667	1,600,000	66,667
<b>Total</b>	<b>4,172,328</b>	<b>173,847</b>	<b>4,943,018</b>	<b>205,959</b>
<b>Permanent Phase</b>				
Uses				
<b>Total Development Cost</b>	<b>4,172,328</b>	<b>173,847</b>	<b>4,943,018</b>	<b>205,959</b>
Sources				
California Federal Savings Bank				
Conventional Loan	74,165	3,090	268,328	11,180
Affordable Housing Program (AHP)				
Grant	162,000	6,750	132,000	5,500
Commission HOME Loan	320,000	13,333	500,000	20,833
City of Industry Loan	1,600,000	66,667	1,600,000	66,667
Tax Credit Proceeds	2,016,163	84,007	2,442,690	101,779
<b>Total</b>	<b>4,172,328</b>	<b>173,847</b>	<b>4,943,018</b>	<b>205,959</b>

**COMMUNITY DEVELOPMENT COMMISSION  
OF THE COUNTY OF LOS ANGELES**

**AMENDMENT NO. 1  
LOAN AGREEMENT**

THIS AMENDMENT NO. 1 TO THE HOME LOAN AGREEMENT (Agreement) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2004, by the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic hereinafter called "COMMISSION", and Willowbrook Place, L.P., a California Limited Partnership, hereinafter called the Borrower.

WITNESSETH THAT:

WHEREAS, the COMMISSION and the Borrower previously entered into the original HOME Loan Agreement on November 14, 2001, that provided for the environmental remediation and permanent financing of 24 units of housing for very low-income individuals and families having an adult member with a mental disability.

WHEREAS, environmental remediation has been completed on the first five feet of soil, however remediation of the soil at lower depths must continue to the satisfaction of the Los Angeles Regional Water Quality Control Board.

WHEREAS, it is anticipated that this additional remediation will be completed by no later than July 2004 at a cost not to exceed \$180,000.

WHEREAS, in order to achieve this purpose and better implement the project, it now becomes necessary to amend said Loan Agreement to increase the loan amount and both parties are desirous of such amendment.

NOW, THEREFORE, in consideration of the mutual undertakings herein, the parties agree that said HOME Loan Agreement be amended as follows:

1. All references to the above Loan amount shall be amended to reflect a HOME loan of \$500,000, which is an increase of \$180,000 from the original HOME loan amount of \$320,000.
2. Recital A shall be amended to read as follows:

WHEREAS, Borrower desires to borrow the principal amount up to and not to exceed **FIVE HUNDRED THOUSAND DOLLARS (\$500,000)** (the Loan) from COMMISSION for the environmental remediation of hazardous material from the Project Site ("Project") described in the Transaction Summary above, and as more particularly described in the Agreement.

2. Section 2.3 Payment Dates and Amounts, shall be amended to read as follows:

As set forth in greater detail in the Note, Borrower shall repay the HOME Loan with accrued interest in arrears in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2005. Absent prepayment or acceleration, each of the annual payments due March 15, 2005 through and including March 15, 2035 ("Maturity Date") shall be in an amount equal to fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined in the Note.

3. All other terms and conditions of said Agreement shall remain the same and in full force and effect.

IN WITNESS WHEREOF, the COMMUNITY DEVELOPMENT COMMISSION and the Borrower, through their duly authorized officers, have executed this Amendment as of the date first above written.

COMMUNITY DEVELOPMENT  
COMMISSION  
OF THE COUNTY OF LOS ANGELES

BORROWER:  
WILLOWBROOK PLACE, L. P.,  
a California Limited Partnership

By \_\_\_\_\_  
Carlos Jackson  
Executive Director

By \_\_\_\_\_  
Dora Leong Gallo  
Chief Executive Officer

APPROVED AS TO FORM:  
LLOYD W. PELLMAN  
County Counsel

By \_\_\_\_\_  
Deputy